Electronic Version

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PROCESS TO CREATE MARKET-SECTOR INVESTMENT PORTFOLIO PERFORMANCE INDICES

Abstract

The method of generating a market-sector level index of investment portfolio performance includes the steps of acquiring data for a population of investments and generating a contiguous series of the measurement of periodic investment returns for the population of investments whose operations mirror that of an investment manager holding a diversified investment portfolio. The population of investments is divided into market-sector groups whose pattern and level of past periodic returns has been uniquely different as stipulated under the tenets of Modern Portfolio Theory. The population average of period-returns is calculated for each period within the contiguous series and each market-sector group. Measures of index-comparison and population-comparison statistics are created for each market sector from periodic returns averages of the market sector groups . The measure of index-comparison is preferably calculated using the formula of: [(ending value-preceding period)*(1+(average periodic return-

current period/100))]= [ending value-current period]. The measure of population-comparison is preferably calculated using the tenets of the Capital Assets Pricing Model and a measure of the index population absolute periodic returns variance to benchmark investment risk.